

TVA HIGHLIGHTS

TVA IS COMMITTED TO BEING A NATIONAL LEADER IN TECHNOLOGICAL INNOVATION, AFFORDABLE POWER AND ENVIRONMENTAL STEWARDSHIP.

2009



Financial Highlights

For the years ended September 30 (in millions)

Summary statements of income

	2009	2008	Percent Change
Operating revenues	\$ 11,255	\$ 10,382	8
Operating expenses	(9,282)	(8,198)	13
Operating income	1,973	2,184	(10)
Other income, net	25	9	178
Interest expense, net	(1,272)	(1,376)	(8)
Net income	\$ 726	\$ 817	(11)

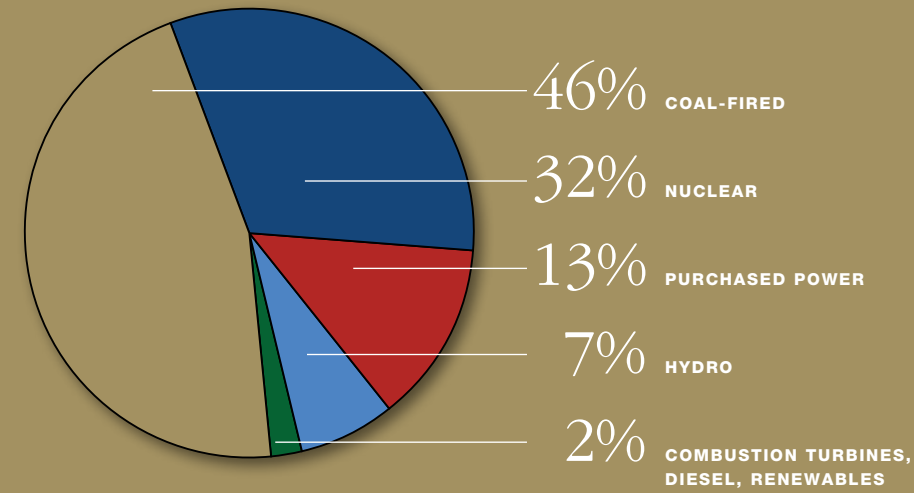
Power System Statistics

At September 30 or for the years ended September 30, as appropriate

	2009	2008	Percent Change
System input (millions of kilowatt-hours)			
TVA System generation			
Hydro, including pumped storage	11,421	6,685	71
Fossil	76,794	98,752	(22)
Nuclear	53,047	51,371	3
Combustion turbine	3,481	1,386	151
Green power	29	39	(26)
Total net generation	144,772	158,233	(9)
Purchased	22,088	20,887	6
Total system input	166,860	179,120	(7)
System output (millions of kilowatt-hours)			
Sales			
Municipalities and cooperatives	133,078	139,596	(5)
Industries directly served	28,718	34,695	(17)
Federal agencies and other	2,008	2,013	-
Total sales	163,804	176,304	(7)
Other	56	46	22
Losses	3,000	2,770	8
Total system output	166,860	179,120	(7)
Net summer capability (megawatts)	36,490	36,714	(1)
System peak load (megawatts) – summer	28,711	31,577	(9)
System peak load (megawatts) – winter	32,572	32,027	2
Number of employees at September 30	12,219	11,584	5
Percent summer capability by fuel source			
Coal-fired	40%	39%	3
Nuclear	18%	18%	-
Hydro	15%	15%	-
Natural gas and oil fired, diesel generator, and renewable resources	19%	20%	(5)
Purchased power	8%	8%	-

2009 TVA POWER SOURCES

2009 Generation by Fuel Source



- 33,716 megawatts of TVA-operated generation (net summer capability)
- Transmission system consisting of more than 15,900 miles of line
- Through 158 local power distributors, providing electricity to 9 million Tennessee Valley residents
- Funded primarily with power revenues and financings, receiving no tax dollars

- 11 fossil plants (59 units)
- 3 nuclear plants (6 units)
- 29 hydro plants (109 units)
- 1 pumped-storage plant (4 units)
- 9 combustion-turbine plants (87 units)
- 2 combined-cycle plants (6 units)
- 2 diesel-generator sites (9 units)
- 15 solar-energy sites
- 1 wind-energy site
- 1 digester-gas site
- 1 biomass-cofiring site



A LETTER FROM PRESIDENT AND CEO TOM KILGORE



Fiscal year 2009 was one of the most challenging in TVA's history, marked by the Kingston ash spill and an economic decline that affected families and businesses across the Tennessee Valley and prompted an unprecedented decline in electricity sales.

Throughout the year, the people of TVA have worked to deal with the consequences of these two events. We have reduced costs throughout TVA's business, increased borrowing, deferred major expenses to lessen short-term impact on rates and taken advantage of lower fuel costs.

We were pleased that a decline in fuel costs led to the Fuel Cost Adjustment reducing rates in four straight quarters in 2009. Starting from all-time peaks in summer 2008, prices of fuel and purchased power moved downward in 2009. In addition, after three years of drought, the Tennessee Valley saw a return to normal rainfall in spring 2009. The result was a 64-percent increase in hydro power, our least expensive source of electricity, from 2008 to 2009.

At the same time, as a result of the national economic downturn and mild weather in summer 2009, power use in the Valley decreased by 7 percent, the largest drop in sales in TVA history.

Overall, TVA operating revenues were approximately \$11.3 billion on sales of some 163.8 billion kilowatt-hours of electricity in fiscal year 2009.

TVA's nuclear fleet contributed nearly 32 percent of TVA's power mix, an increase of 3 percent from 2008 and a step toward the goal of supplying at least 50 percent of TVA's power from zero or near-zero carbon-emitting sources. Toward that goal, we are on schedule to complete our seventh nuclear unit, Watts Bar Nuclear Plant Unit 2 in Spring City, Tenn., by fall 2012. The unit is expected to cost about \$2.5 billion and add 1,150 megawatts of safe, emissions-free, base-load generating capacity to the TVA system. Looking ahead, we are exploring the options for nuclear units at our Bellefonte site near Hollywood, Ala.

Among many energy-conservation initiatives, TVA's Energy Efficiency and Demand Response (EEDR) organization

is working with customers to reduce the growth in peak power demand by up to 1,400 megawatts by 2012. In 2009, EEDR reduced summer peak demand by 208 megawatts, surpassing its goal of 189 megawatts. More than half of the reduction resulted from a limited test program that pays participating commercial and industrial facilities to reduce the power they use at specific times.

Throughout 2009, we have worked diligently to recover the area around the ash spill at Kingston Fossil Plant. As of November 2009, half the ash had been removed from the Emory River, with the remainder of the ash expected to be removed from the river by late spring.

Within TVA, we took to heart the lessons of the ash spill. We have reassessed our management priorities – placing accountability and safety at the top of the list – and committed to a process of changing our corporate culture from executive offices to plant floors. Our goals are to ensure that nothing like the Kingston spill ever happens again and to enable our employees to reach higher levels of safety, reliability and efficiency in our operations.

Just a half-year before the Kingston spill, on May 18, 2008, TVA had celebrated the 75th Anniversary of its mission of service to the Tennessee Valley.

This milestone gave TVA employees and retirees an opportunity to reflect on TVA's contributions to the quality of life in this region, starting with the mission of controlling floods, replenishing fields and forests, opening the Valley to commercial navigation, electrifying farms and rural areas, and sparking the regional economy by attracting industries and jobs. We paid tribute to the several generations of men and women of TVA and their can-do spirit of innovation and public service that made it all happen.

In TVA's 76th year, as we continue to take our tough medicine from the Kingston spill, we have redoubled our commitment to TVA's role as power provider, steward of the Valley's natural resources and catalyst for sustainable economic development.

President and Chief Executive Officer

2009 PERFORMANCE HIGHLIGHTS

Energy

- Sequoyah Nuclear Unit 1's capacity factor ranked sixth best in the world.
- Transmission system achieved 99.999 percent reliability for the 10th year in a row.
- Four straight quarterly reductions in TVA's Fuel Cost Adjustment.
- Began the process of updating our 20-year Integrated Resource Plan.
- In partnership with distributors of TVA power, began offering free home energy audits.
- Three test homes demonstrate the energy savings of the energyright solutions® program for construction and retrofitting.

Environment

- Invested \$172 million as part of the ongoing \$5.5 billion program to reduce emissions at fossil plants.
- Continued to reduce SO₂ emissions, which are down by 84 percent since regulation began.
- Reduced nitrogen oxide (NO_x) emissions during summer ozone seasons by 82 percent since regulation began.
- Signed agreements for 450 megawatts of wind power to be available in 2012.
- Committed to dry storage for fly ash and gypsum at fossil plants.

Economic Development Plants under construction

- Toyota; near Tupelo, Miss., 2,000 jobs.
- Volkswagen; near Chattanooga, 2,000 jobs.
- Hemlock Semiconductor (for solar panels); in Clarksville, Tenn., 500 jobs.
- Wacker Chemie (to make silicon for solar panels); in Charleston, Tenn., 500 jobs.

Finance

- TVA's rated securities continue to receive the highest ratings from major credit-rating agencies.
- Generated strong cash flow of more than \$2 billion from operating activities.
- Made tax-equivalent payments of more than \$500 million to states and counties.
- Contributed \$1 billion to the TVA retirement system as an advance contribution through 2013.
- Issued \$2.4 billion of long-term bonds, locking in low average interest rates.
- Realized a reduction in net interest expense of more than \$100 million.



TVA Executives

Tom Kilgore
President and Chief Executive Officer

William R. (Bill) McCollum, Jr.
Chief Operating Officer

Kenneth R. Breeden
Executive Vice President, Customer Resources

Maureen H. Dunn
Executive Vice President and General Counsel

Kimberly S. Greene
Chief Financial Officer, Chief Risk Officer and
Executive Vice President, Financial Services

Peyton T. Hairston, Jr.
Senior Vice President, Corporate Responsibility
& Diversity

Janet C. Herrin
Senior Vice President, River Operations

Robin (Rob) E. Manning
Executive Vice President, Power System
Operations

John E. Long, Jr.
Chief Administrative Officer and Executive
Vice President, Administrative Services

John McCormick
Executive Vice President, Fossil Power Group

David R. Mould
Senior Vice President, Communications

Anda A. Ray
Senior Vice President, Office of Environment
& Research and Environmental Executive

Emily J. Reynolds
Senior Vice President, Government & Valley
Relations

Preston D. Swafford
Chief Nuclear Officer and Executive
Vice President, TVA Nuclear

Van M. Wardlaw
Executive Vice President, Power Supply
& Fuels

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Guide to using the TVA Highlights and Annual Report on Form 10-K

This 2009 TVA Highlights is intended to provide information of interest about TVA's business and operations during its 2009 fiscal year, which ended on September 30, 2009. The TVA Highlights should be read in conjunction with TVA's Form 10-K Annual Report for the year ended September 30, 2009, which is attached to this document and has been filed with the Securities and Exchange Commission, as well as any amendments to the 10-K. The 10-K provides additional financial, operational and descriptive information, including financial statements. The 10-K also provides important information about various risks to which TVA is exposed in the course of its operations, which are important to consider before investing in any TVA securities.

The 2009 TVA Highlights and 2009 10-K do not contain all information about specific TVA securities that is important for making investment decisions. Please refer to the appropriate Offering Circular, and any relevant supplements, for detailed information about TVA securities.

This 2009 TVA Highlights includes forward-looking statements. For a discussion of factors that might cause actual results to differ materially from those in forward-looking statements, see Forward-Looking Information in the 2009 10-K.

TVA is an equal opportunity and affirmative action employer. TVA also provides that the benefits of programs receiving TVA financial assistance are available to all eligible persons regardless of race, color, sex, national origin, religion, disability or age. This document can be made available in an alternate format upon request. This report is printed on 100-percent post-consumer recycled paper and uses soy-based inks. The cover and text paper have been Forestry Stewardship Council-approved, which means the papers were manufactured from trees grown in a FSC-certified forest.

TVA Service Area

